



Summary of our report

Reflections from our audits: *Governance and accountability*



High standards of public sector governance and accountability are essential to healthy democracies at both a national and local level. They enable the effective and efficient use of public resources in the wide range of entities that make up New Zealand's public sector.

For the purpose of this report, we define:

- **governance** as the system by which an organisation or project is directed and controlled; and
- **accountability** as the way in which people can see how their taxes and rates are used by public entities.

Accountability requires public entities to report useful and timely information about what they have achieved with the resources they have used, so that Parliament, taxpayers, and ratepayers can hold them to account for their performance.

Good governance and accountability need and support each other and, if done well, enhance the public's trust in our system of government. Good governance encourages and can result in good accountability. In turn, accountability is a vital element of good governance.

Most public entities exercise the powers of the state and/or use public resources. If people are to continue to support the democratic process, they must trust the institutions of the state. This means trusting that:

- public entities will act impartially and lawfully;
- public entities will use public resources wisely;
- people will have equity of access to government services;
- people will be treated fairly; and
- people will have access to useful information about the activities and achievements of public entities.

The private sector also depends on good public sector governance and accountability. Our economy is based on international trade – our reputation for being largely free from corruption and an easy country to do business with is a competitive advantage.

In our view, the quality of governance in the public sector can be improved. It is not working as well as it should in some entities and problems have occurred and will continue to do so, unless the standard is raised.

Vital statistics:

- 46 pages
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- Contact: reports@oag.govt.nz

One matter for improvement is the **clarity of role definition** between the responsibilities of governance and management at both an organisational and project level. A second matter for improvement is **risk management**. Top-class examples of good practice are hard to find.

In New Zealand, there is an expectation of accountability and transparency. Fortunately, New Zealand has a well-established public management system with strong accountability foundations. However, we should not take this for granted or be complacent. Our recent fall from second to fourth in Transparency International's Corruption Perceptions Index 2015 gives us an opportunity to pause and ask what we can do better.

This report reflects on common issues and challenges, and examples of good and emerging practice, that public entities can use to help improve their governance and accountability arrangements. From the practices we observe and assess during our audits, we have identified eight elements of good governance.

We encourage entities to use these to consider their own governance arrangements. We also highlight some emerging trends, such as new reporting standards, that present both challenges and opportunities for enhancing transparency and accountability.

We are not alone in considering governance to be important. "An honest and responsive government" was ranked fourth (behind a good education, better healthcare, and better job opportunities) by the 9.7 million respondents to the 2015 United Nations-led MY World survey. The survey asked citizens to pick six out of 16 possible issues that would make the most difference to their lives.

We encourage everyone reading our report to ask themselves how they can build on the solid foundations and apparent opportunities to improve the governance and accountability of our public sector.